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Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Monday December 13, 1976

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Monday, December 13, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] President Sarkis' appointment last week of a cabinet of technocrats appears to have raised confidence among most Lebanese that he will be able to assert his authority over the political leaders who fomented the war. The formation of an apolitical government was a victory for Sarkis over Camille Shamun and others who had argued for a cabinet that reflected the political interests of the major Lebanese factions.

25X1 [] Although Sarkis was able to have his way primarily because of Syrian military backing, his own careful planning and the strong support he is receiving from the Christian Phalange Party also helped him pass this first major test of political strength.

25X1 [] Leftist leader Kamal Jumblatt, who presumably feared that Sarkis might bow to pressures from Shamun, strongly endorsed the new cabinet. Among the other key Christian and Muslim leaders, only Shamun has voiced opposition; he is especially unhappy with the appointment of Prime Minister Salim al-Huss and Foreign Minister Fuad Butrus, both of whom were associated with one of Shamun's major political rival, the late president Chehab.

25X1 [] The otherwise favorable reaction to the cabinet and the new confidence in Sarkis should improve the government's chances of receiving emergency powers from parliament. Salim and Butrus apparently are preparing the request and a general policy statement for the new government, which will be presented to parliament within the next few weeks.

25X1 [] Sarkis wants to establish security and begin reconstruction before he tackles the contentious issue of political reform, and his presentation to parliament will probably reflect these priorities. His strategy is to deny both Christian and Muslim combatants the option of resuming hostilities before they enter into negotiation of a final peace settlement. Sarkis also wants to have an overall reconstruction program well underway before peace talks begin so that its progress and content will not be subject to sectarian bargaining.

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[] The President will meet his greatest opposition from Shamun and Jumblatt, both of whom have recently warned that restructuring Lebanon's political order must take precedence over all other matters. Both seem to be keenly aware that Sarkis is trying to push Christians and Muslims into a position where they will have to make concessions. Ironically, Shamun and Jumblatt will probably join forces in opposing Sarkis' plan to declare a state of emergency and to seek extraordinary powers from parliament. Even together, however, they do not control a sufficient number of parliamentary deputies to block Sarkis' request.

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[] The governor of Bint Jubayl Province, the scene of much of the fighting in the south, reportedly announced late Friday that he had worked out a truce agreement between Muslim-Palestinian forces in the city of Bint Jubayl and Christian troops in surrounding villages.

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[] The announcement, which was carried in only one international press dispatch, asserted that the warring factions had agreed to withdraw from their positions and allow civil servants and local police to return to their posts. The reunification over the weekend of Lebanese radio stations formerly held by rival Christian and Muslim groups and the termination of broadcasts on the security situation make it difficult to confirm the existence of the alleged agreement.

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[] President Sarkis has encouraged and may ultimately impose formal censorship of reporting on security matters in an effort to keep tensions in one area from spreading to other parts of the country. []

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SPAIN: Leftists

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[] Some Spanish leftist groups, opposed to having the present government preside over political reform, are stirring up trouble just before the referendum on political reform to be held Wednesday. Their actions are causing tensions but are not likely to affect the expected large favorable vote.

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[] On Saturday, four terrorists kidnaped Antonio Maria de Oriol, a banker and politician who is president of the advisory Council of State and a member of the Council of the Realm--Spain's highest consultative body. Oriol is a wealthy Basque and former minister of justice who supported Franco during the Civil War and profited financially from this tie, thereby incurring the hatred of many Basques.

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[] Government authorities speculate that the abduction is the work of one of the several branches of the Basque terrorist organization known as ETA. Oriol's son, who was present during the abduction, has identified one of the assailants from police photographs as a member of ETA.

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[] Conflicting claims about the kidnaping are adding to political tensions. An anonymous caller claiming to speak on behalf of ETA, told a Madrid newspaper that Oriol had been executed. Leaders of the two principal ETA groups denied any involvement. They said that if the kidnaping had been carried out by an ETA group not dependent on their group, the ransom would be release of imprisoned Basque terrorists, who were excluded from an earlier grant of clemency by King Juan Carlos.

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[] A far left Communist organization known as GRAPO in a letter to another Madrid newspaper claimed credit for the kidnaping and demanded the release of extreme militants held in Spanish jails in return for Oriol's life. The newspaper said it could not guarantee the authenticity of the letter. GRAPO has committed other terrorist acts, and some of its members are still in prison.

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THAILAND-VIETNAM: Military Moves

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[redacted] the Lao government has been plagued by continued, and possibly accelerating, dissident activity. Lao rightist guerrillas, [redacted] have been cutting roads, harassing outposts, and making large areas of Laos insecure.

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25X1 [] Although the Vietnamese were initially reluctant to get involved in anti-insurgency operations in Laos, the ineffectiveness of the Pathet Lao has increasingly drawn Vietnamese troops into joint operations. []

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25X1 [] Relations between Thailand and Vietnam have deteriorated badly since the coup in Bangkok on October 6. An expansion of Vietnamese troop strength in Laos--for whatever reason--is likely further to stimulate the anti-communist and anti-Vietnamese feelings that have been running high in official circles in Thailand since the military takeover.

25X1 [] The new government tends to see a heightened threat from both the domestic communist insurgents and from its Indo-chinese neighbors, and this perception has been reflected in a rash of statements about Vietnam's belligerent intentions. Another result has been government plans for a considerable increase in military expenditures.

25X1 [] Hanoi has reacted sharply to official Thai statements warning of Vietnamese aggression against Thailand, calling such charges an excuse for more US military aid and the re-opening of US military bases in Thailand. []

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JAPAN: Exporting Industrial Plants

25X1 [] Japan's exports of industrial plants have outpaced most of its other foreign sales since 1970. The Japanese have continued to shift their exports away from textiles and other labor-intensive products that face stiff competition, particularly from South Korea, Taiwan, and Hong Kong.

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[] Tokyo's recent efforts to promote plant exports are also aimed at aiding domestic economic recovery. Exports will account for a third to a half of the growth in gross national product this year.

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[] Since 1970, Japanese exports of industrial plants have grown at an average annual rate of 36 percent, reaching an estimated \$6 billion this year. As a result, Japan has moved into third place among developed countries in plant sales, ahead of France and the UK but far behind West Germany and the US. Overseas plant sales now represent 9 percent of total Japanese exports, more than double the 1970 share.

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[] Nearly two thirds of the plant sales are concentrated in product lines in which Japan has traditionally excelled--steel, chemical fertilizer, electrical equipment, and communications facilities. More than 40 percent of the contracts have included construction, startup costs, and the training of workers.

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[] Almost all of the growth in plant exports has come from sales to developing countries, particularly to members of the Organization of Petroleum Exporting Countries and countries in Southeast Asia. Sales to developing nations now account for 81 percent of Japan's plant exports.

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[] Japan was one of the first developed countries to emphasize plant sales to OPEC members; these exports quadrupled in 1975 and far outpaced the growth of sales to all other regions. Japanese firms also participated early in large-scale projects in other developing countries, such as the Pohang steel complex in South Korea.

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[] Japanese firms in 1975 won 58 percent of the contracts for which they competed with other foreign suppliers, according to a recent survey by the Ministry of International Trade and Industry. Japanese firms are able to underbid other competitors because of their lower labor costs. Many Japanese firms, however, think they have lost large projects because of relative inexperience in foreign construction markets.

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25X1 [] To strengthen Japan's competitive position, the Ministry has proposed a 35-percent increase next year--to \$5 billion--in the capacity of Japan's Export-Import Bank to finance Japanese exports. Tokyo will probably also broaden the bank's financial backing to include a plan for insuring private loans to Japanese firms, which have argued that they have lost more contracts than they have won when financing has been a major issue.

25X1 [] Based on contracts already signed, we expect Japanese plant exports to continue expanding rapidly, totaling perhaps as much as \$10 to \$12 billion in 1977. With continued support from the government, plant exports could reach 18 percent of total Japanese exports by 1980, placing them with steel and autos as Japan's chief export items.

25X1 [] Much of this growth will continue to come from sales to developing countries. Shipments to China are expected to slip, at least through 1977, because China's political changes and hard-currency shortage have slowed negotiations on new contracts. []

BANGLADESH-CHINA: Zia Visit

25X1 [] Bangladeshi strongman General Zia ur-Rahman may visit Peking December 19, but the trip has not yet been announced by either government. Relations between Bangladesh and China have been improving since the martial law administration took power in Dacca last year.

25X1 [] If Zia goes, it would be his first visit to China. The most pressing item on Zia's agenda would probably be a request for military equipment, which Bangladesh also has requested from several other countries.

25X1 [] A Chinese trade delegation visited Bangladesh and initiated trade, protocol, and payments agreements that are to be signed next year. While in Dacca, the delegation leader publicly stated that China would "oppose any foreign interference in the internal affairs of Bangladesh"--an obvious reference to India.

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[] China nonetheless seems eager to cement its relations with the Zia government without directly antagonizing India. China and India exchanged ambassadors this year for the first time since 1962, and the Chinese presumably would not want to jeopardize this relationship. []

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SOMALIA-FTAI: Leadership Change

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[] President Siad last week removed five top leaders of the Mogadiscio-backed Front for the Liberation of the Somalia Coast who disagreed with the Somali President over tactics to be used toward the French Territory of the Afars and Issas, which is scheduled to become independent next year.

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[] According to Radio Mogadiscio, the five were accused of infiltrating armed gangs into the FTAI to cause "needless disturbances," kidnaping, plotting to assassinate members of both the Front and its ally, the African People's Independence League, and misappropriating Front funds.

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[] The removal of advocates of violence from the leadership of the Front reflects Siad's recent shift toward a more cautious approach in advancing his goal of annexing the FTAI. Siad believes political developments in the territory are working to Somalia's advantage, and he is attempting to influence that evolution by political action and by improving relations with France.

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[] Siad is keeping his other options open, however, by training guerrillas and strengthening army units along the FTAI border; he is willing to turn to guerrilla warfare or direct military action to gain control of the FTAI if other methods fail.

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[] This is the third change in the top leadership of Liberation Front within the past year. One leader was ousted in December 1975, and his replacement was dismissed last August. Both apparently resented being used as puppets by Siad. The Front is directed by a senior Somali military officer who is a cabinet minister and a member of the central committee of Somalia's ruling political party. []

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VENEZUELA: Labor Peace

The conclusion of long-term contract talks between the Venezuelan government and the petroleum and iron workers essentially completes the nationalization process begun by President Carlos Andres Perez over two years ago.

Most attention has been focused on the country's two petroleum federations, which signed their first collective contract with the government on December 2. The three-year settlement includes wage increases of 12 percent to 16 percent. Fringe benefits, including retirement pay--in some cases amounting to almost 80 percent of the worker's wage--have been substantially increased.

The new wage scales and benefits are well above the level enjoyed by the average Venezuelan worker. The terms are also slightly better than the new wage contract granted the iron miners last month, thus maintaining the long-time relationship between salaries in the country's two major extractive industries.

Union acceptance of the contract terms guarantees the Perez government a lengthy period of tranquility in the nationalized petroleum fields and iron mines.

The government had been walking a tightrope with the labor unions since nationalization. On the one hand, it had to ensure that the oil industry remained productive, profitable, and efficiently managed. On the other, it had to maintain peace among industry employees and provide them with a contract that was satisfactory to a wide range of workers--unskilled to highly qualified technical personnel.

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